

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

DODE-00 EB-04 FEAE-00 FPC-01 H-01 INR-05 INT-05 L-01

NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 SCI-02

SP-02 SS-20 STR-01 TRSE-00 FRB-01 XMB-02 OPIC-06

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FM USINT ALGIERS

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C O N F I D E N T I A L ALGIERS 2250

E.O. 11652: GDS

TAGS: PDEV, ENRG, AG

SUBJ: COURTESY CALL ON MINISTER OF INDUSTRY AND ENERGY,
ABDESSELHAM

PASS EXIM

1. ON OCTOBER 11 I PAID A COURTESY CALL ON MINISTER OF
INDUSTRY AND ENERGY BELAID ABDESSELAM. CONVERSATION
COVERED NUMBER OF SUBJECTS PERTAINING TO ALGERIAN ECONOMIC
DEVELOPMENT. ABDESSELAM DID NOT RAISE OIL PRICES EXCEPT
TO POINT OUT THAT ALGERIA'S DEVELOPMENT PLANS ARE BASED
ON THEIR REMAINING AT CURRENT LEVEL.

2. ABDESSELAM MADE CLEAR THAT HE AND ALGERIA WERE BUILD-
ING CLOSE BUSINESS RELATIONS WITH U.S. BUSINESSMEN WHICH
WERE BASED ON ECONOMICS AND PERSONAL FRIENDSHIPS, NOT ON
POLITICS. THERE WAS MORE CONFIDENCE ON PART OF U.S.
BUSINESSMENT IN DEALING WITH ALGERIA. "THINGS WERE ON
RIGHT TRACKS." SO FAR THESE CONTACTS IN THE U.S. WERE
AT THE PRIVATE - COMMERCIAL LEVEL, BUT GOVERNMENT RELA-
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TIONS WOULD FOLLOW BUSINESS RELATIONS.

3. ABDESSELAM SAID HE WAS PLANNING A LONGER TRIP TO THE UNITED STATES IN FEBRUARY OR MARCH. HE WANTED SEE MORE THAN HE HAD LAST TIME AND WAS HOPING SPEND TWO OR THREE WEEKS VISITING U.S. INDUSTRIAL CENTERS WITH ONLY A FEW DAYS IN WASHINGTON. HE WOULD BE ACCOMPANIED BY THE HEADS OF A NUMBER OF ALGERIAN NATIONAL CORPORATIONS NEGOTIATING TURNKEY PROJECTS WITH U.S. FIRMS. I OFFERED TO ASSIST HIM IN ANY WAY POSSIBLE.

4. ABDESSELAM THEN REFERRED TO A NUMBER OF THE BIGGER ALGERIAN INDUSTRIAL PROJECTS - THE 100,000 AUTOMOBILE PANT AT ORAN, 10,000,000 TON STEEL COMPLEX AT MOSTAGENEM, 60,000 DIESEL ENGINE PLANT, 10,000 HEAVY TRUCK FACTORY, 15,000 LIGHT TRUCK FACTORY, 10,000 ALL TERRAIN VEHICLE FACTORY, REFINERIES, AND GAS LIQUEFACTION PLANTS.... ABDELLELAM WAS SORRY GM WOULD NOT PARTICIPATE IN AUTO-MOBILE PLANT, BUT SAID CHRYSLER FRANCE HAD EXPRESSED AN INTEREST. CUMMINS WAS DISCUSSING THE DIESEL PLANT AND FORD THE TRUCK PLANT. BETHLEHEM STEEL AND BECHTEL WERE TALKING ABOUT THE 10 MILLION TON STEEL MILL WHICH WILL OPEN IN 1982. THE ORE WILL COME FROM THE TINDOUF AREA BY RAIL. ADDITIONAL ORE FOR EXPORT MIGHT GO OUT THROUGH MOROCCO VIA THE JOINT COMPANY ALGERIA AND MOROCCO CREATED TWO YEARS AGO, BUT NOTHING HAS BEEN DONE SINCE. ALL OF THIS IS PART OF THE 26 BILLION DOLLAR FOUR-YEAR PLAN (SEE ALGIERS A-054) EVEN THOUGH SOME OF THE PROJECTS WOULD NOT BE CONCLUDED UNTIL 1980'S.

5. THE U.S. HAD BEEN OUT-PRICED IN THE ALGERIAN MARKET BUT NOW THE BIDS FROM EUROPE, THE U.S. AND JAPAN WERE MORE COMPETITIVE. I POINTED OUT THAT THE VALUE OF THE CONTRACTS WON BY THE U.S. COMPANIES WAS IN THE ORDER OF 1.2 BILLION DOLLARS. HE NODDED AND SAID UNITED STATES GOVERNMENT DOES NOT REALLY COMPREHEND THE SIZE OF THE ALGERIAN MARKET. TO THE 1.2 BILLION DOLLAR PROJECTS ALREADY BEING SIGNED CAN BE ADDED OVER FIVE BILLION DOLLARS OF PROSPECTIVE BUSINESS (ALGIERS A-051). SAUDI ARABIA HAS MANY BILLIONS MORE OIL, BUT ALGERIA IS A BIGGER TWO-WAY MARKET. ALGERIA WAS "EATING" DOLLARS.
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6. FINANCING WAS STILL A PROBLEM. FOR THE NEXT 3-4 YEARS ALGERIA WILL NEED FOREIGN FINANCING FOR SOME OF THE PROJECTS. HE HOPED IT WOULD BE AVAILABLE FROM THE U.S., BECAUSE WITH TIED FINANCING ALGERIA FREQUENTLY HAD TO BUY WHERE THE CREDIT WAS AVAILABLE RATHER THAN FROM THEIR FIRST CHOICE BUILDER. HE ALSO DISCUSSED EXIM FINANCING OF THE GTE CONTRACT, SEPTEL.

7. IN RESPONSE TO MY QUESTION ON THE NEED FOR EXTERNAL FINANCING FOR THE 26 BILLION DOLLAR FOUR-YEAR PLAN, ABDESSELAM SAID THIS WOULD BE REQUIRED FOR ONLY 3 OR 4 YEARS, AFTER WHICH HE HOPED ALGERIA WOULD BE ABLE FINANCE EVERYTHING FROM OIL REVENUES. BY 1980 HE THOUGHT EXPORTS OF GAS, OIL AND OTHER PRODUCTS WOULD BE ABOUT 10-12 BILLION DOLLARS PER YEAR. HE CAVEATED THIS WITH "IF EVERYTHING GOES WELL, INFLATION IS HELD IN CHECK AND OIL PRICES STAY AT THEIR CURRENT LEVEL". OF THE 26 BILLION DOLLAR INVESTMENT, HE EXPECTED 40 PERCENT WOULD DEMAND FOREIGN EXCHANGE, OR ABOUT 10 BILLION DOLLARS. EXPORTS WOULD SUPPLY THIS AMOUNT OF FOREIGN EXCHANGE, BUT CURRENT IMPORTS WOULD CUT THIS SOME SO THAT 3 - 6 BILLION DOLLARS WOULD HAVE TO BE BORROWED.

8. ABDESSELAM REPEATED THAT THIS NEED FOR EXTERNAL CREDITS WAS A SHORT TERM PROBLEM -- 3-5 YEARS, (SIC) AND THAT BY 1980 THE PROJECTED ALGERIAN EXPORTS OF 10 BILLION DOLLARS WOULD MORE THAN COVER THEIR IMPORT NEEDS WHICH WERE INFLATED IN THE SHORT RUN BY THE CAPITAL ASSETS NEEDS OF THE 4-YEAR PLAN. AS THESE CAPITAL ASSETS BEGIN PRODUCING, CONSUMER IMPORTS WOULD GO DOWN.

9. ABDESSELAM THEN SHIFTED TO ALGERIA'S NEEDS FOR TECHNICAL EDUCATION. HE MENTIONED THE INSTITUTE OF GAS TECHNOLOGY CONTRACT TO ORGANIZE AND STAFF A GAS INSTITUTE AND ANOTHER CONTRACT FOR A PLASTICS INSTITUTE. THEY WERE ALSO SENDING MORE STUDENTS TO THE U.S. FOR TRAINING. HE AGREED THAT THEY NEEDED A COORDINATOR FOR THE INCREASED NUMBER OF STUDENTS, AND SAID ONE

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PROJECT HE HAD IN MIND WAS AN ARRANGEMENT FOR AN ALGERIAN "INSTITUTE" RUN WITH THE AID OF A GROUP OF AMERICAN UNIVERSITIES WHICH WOULD TEACH ELECTRICAL ENGINEERING AND ELECTRONICS. IT WOULD BE A SCHOOL FOR ABOUT 3000 STUDENTS. I TOLD HIM WE MIGHT BE ABLE TO HELP GOA COORDINATE THIS SCHEME WITH UNITED STATES INSTITUTIONS AND HE SAID HE WOULD ASK HIS DIRECTOR OF EDUCATION AND FORMATION, FARES, TO CONTACT USINT.

10. IN CLOSING I MENTIONED THE QUADRI-PARTITE CONFERENCE OF THE U.S. CHAMBER OF COMMERCE AND THE NOVEMBER VISIT OF THE NATIONAL ASSOCIATION OF MANUFACTURERS. ABDESSELAM AGREED IN PRINCIPLE TO ASSIST ALGERIAN PARTICIPATION IN BOTH OF THESE. HE AGAIN STRESSED THE IMPROVING BUSINESS

RELATIONS BETWEEN ALGERIA AND THE UNITED STATES AND
HOPED THIS GENERAL OVERVIEW OF ALGERIAN PLANS WAS ONLY
THE BEGINNING OF CLOSE COOPERATION BETWEEN US.PARKER

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